

**2017/2018 MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK:**  
**(MTREF);**

(Directorate: Budget and Treasury Office)

VM/pm

1. **STRATEGIC THRUST**

- 1.1 The Budget is the most important strategic planning document of the Council which will guide and determine the day to day actions necessary for the delivery of Municipal services to the Community.
- 1.2 Financial viability is the first priority in the IDP process and has an objective to practice sound and sustainable financial management. This is a responsibility of all managers of Council and will determine the continuous viability of the municipality.

2. **PURPOSE OF THE REPORT**

- 2.1. The requirements for the compilation and submission of the Budget are contained in Chapter 4 of the MFMA and Municipal Budget and Reporting Regulations.
- 2.2. The purpose of tabling the 2017/18 budget to council is to consider the Income and expenditure per category, the tariffs to realize the budgeted income and to inform council about the limitations regarding the budget. The 2017/18 MTREF is attached as **Annexure “A”**.

3. **EXECUTIVE SUMMARY**

a. Background

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and “nice to have” items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. The 60 / 40 % split rolled out in 2015/16 when a consumer is purchasing electricity has been revised to 50/50% in 2016/17. The 90% will service the debt owed for accounts in arrears and 50% will go towards the purchase of electricity token. The 90/10% split will still be applicable in 2017/18 financial year to ensure recovery of debts owed.

**The main challenges experienced during the compilation of the 2017/18 Medium Term Revenue and Expenditure framework (MTREF).**

- The high influx of job seekers that does not translate into increase employment and local economic growth.
- The growth in the debtors book due to incorrect billing
- An increase in water losses due to aged ac pipes whilst the municipality cannot keep up with its replacement.
- Dependency on the mining sector has been affected by the weaker performance of the mines in 2016.
- The closing of two mine shafts had a negative effect on revenue collection.
- The inability of the private sector to create additional jobs around Rustenburg area.
- The payment level as at 30 June 2016 was standing at 85%, indicative of the decline in revenue collection as anticipated.
- Rapid growth in squatter camps has a major impact on the current municipal infrastructure.
- The negative growth of the South African economy is also impacting the municipality's economic growth.
- The lower demand for energy by Xstrata due to close of two shaft impacted on the sale of electricity

**The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:**

- The municipal budgeting at the project level for both the operational and capital budget as per the municipal Standard Charts of Accounts.
- All the MFMA budget related circulars including mSCOA circulars guided the compilation of the 2017/18 MTREF
- Headline inflation forecast (for 2017/18– 6.4%, 2018/19 -5.7% and 2019/20 – 5.6%) was taken into consideration.
- The rise in the annual food inflation was considered not to overburden the poorest of the poor with increases on tariffs above the 6.4% except for electricity.
- The wage agreement with the union at CPI (6.4) + 1%.
- Both budget for operating and capital to be at project level aligned to the IDP identifier.
- Budgeting to comply with mSCOA for the six compulsory segments.

## **OUTLOOK OF DRAFT 2017/2018 MTREF**

The following table is a consolidated overview of the proposed 2017/18 Medium – Term Revenue and Income Expenditure Framework.

**Table 1: Consolidated overview of 2017/18 MTREF**

<b>Description</b>	<b>2016/17</b>	<b>2017/18 Medium Term Revenue &amp; Expenditure Framework</b>		
R thousands	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Total Revenue(excluding capital transfers and contributions)	4,319,679	4,709,540	5,146,123	5,633,824
Total Expenditure	4,296,346	4,553,213	4,923,617	5,402,051
Surplus/(Deficit)	23 333	156,327	222,507	231,773
<b>Total Capital Expenditure -Standard</b>	<b>646,252</b>	<b>569,974</b>	<b>508,395</b>	<b>481,395</b>

The 2017/18 MTREF presents a total spending of R5, 123billion for the 2017/18, R5, 432billion for 2018/19 and R5, 883billion for the 2019/20 for the two outer years respectively including capital budget. Total capital spending is standing at R569,974million, R, 508,395million and R481, 395million in 2017/18 financial year and the outer years respectively.

The budget reflects the Council's response to the needs of its residents, ratepayers and business community which it serves. Schedule A1 version 2.8 has to only incorporate the audited outcome as it relates to the previous performance that is not aligned to Mscoa. Schedule A1 version 6.1 covers the 2017/18 MTREF that is aligned to Mscoa reporting. A detailed multi-year budget is attached as **Annexure "A"** Version 2.8 of the audited outcome is attached as **Annexure AA**.

The 2017/18 operating revenue has increased by R405, 729million or 9.03% when compared to the adjusted revenue. The increase is at R436, 583million and R487, 7016million in the two outer years or 9.27% and 9.47% respectively.

The 2017/18 operating surplus before capital transfers and contributions has increased by R132,994 million when compared to the adjusted surplus before capital grants and contributions. The outer years increase is standing at R66,180million and R9,266million respectively.

The capital budget decreases by R76, 278million when compared to the adjusted budget in the 2017/18 financial year whilst in the two outer years decrease by R61, 579million and R27million respectively.

## **OPERATIONAL REVENUE FRAMEWORK**

The municipality is still committed to ensuring that it renders a high quality service to its community in these trying economic times. The revenue enhancements initiatives have started since the 2015/16 financial year to ensure that all debts outstanding and service delivery related queries are attended to on the daily basis.

The reality is that there is a not adequate fund to address the high reports of water leakages and overflowing sewerage systems. In order to address water leakages municipality is faced with a challenge of non-available funding, whilst it also has to take into account the affordability of consumers not to set tariff high.

### **The municipality revenue strategy is built around the following key components:**

- National Treasury's guidelines on the budget circulars
- The proposed tariffs increases have been determined in relation to the costs of rendering such a service and ensuring that the consumers are not being overburden to an extend of not being able to afford paying for services
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Consideration was on increasing tariffs for average electricity at 8% whilst tariffs for water of 11% are at and other sundry tariffs are kept at 5.8% for 2017/18.
- Increase in the debtors' book due to non-affordability of consumers.

**Table 2 Summary of revenue classified by main source of revenue**

**NW373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
<b>Revenue By Source</b>											
Property rates	2	–	–	–	300 115	300 115	300 115	300 115	319 434	340 074	362 089
Service charges - electricity revenue	2	–	–	–	2 072 510	2 264 868	2 264 868	2 264 868	2 471 460	2 706 301	2 979 704
Service charges - water revenue	2	–	–	–	484 254	484 054	484 054	484 054	547 366	624 477	718 726
Service charges - sanitation revenue	2	–	–	–	250 835	271 828	271 828	271 828	300 693	337 055	381 222
Service charges - refuse revenue	2	–	–	–	113 160	113 160	113 160	113 160	135 076	163 266	199 103
Service charges - other					295	225	225	225	239	254	269
Rental of facilities and equipment					8 884	10 082	10 082	10 082	10 697	11 328	11 985
Interest earned - external investments					35 241	15 193	15 193	15 193	16 114	17 107	18 099
Interest earned - outstanding debtors					139 244	196 047	196 047	196 047	208 006	220 278	233 054
Dividends received						–	–	–			
Fines, penalties and forfeits					9 062	1 614	1 614	1 614	1 713	1 814	1 919
Licences and permits					10 856	8 591	8 591	8 591	9 115	9 653	10 213
Agency services					19 277	19 277	19 277	19 277	20 453	21 659	22 916
Transfers and subsidies					583 768	609 026	609 026	609 026	642 016	664 095	664 095
Other revenue	2	–	–	–	24 400	24 241	24 241	24 241	25 719	27 237	28 816
Gains on disposal of PPE					5 000	1 358	1 358	1 358	1 441	1 526	1 614
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	–	–	4 056 902	4 319 679	4 319 679	4 319 679	4 709 540	5 146 123	5 633 824

Revenue generated from rates and other trading services as proposed has increased by 78.58% or R182,825million in 2017/18 when compared to the adjusted budget. For the two outer years, the revenue increase is at R214,721million or 84.49% and R256,032 or 93.43% respectively.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from operating statement, as inclusion of these revenue sources will distort the calculation of the operating surplus or deficit.

The South African economic growth forecasts is at 3.1% over the 2017/18 MTREF whilst CPI guideline per National Treasury circular 86 is at 6.4%, 5.7% and 5.6% over the MTREF.

It is critical to ensure that the revenue base of the municipality is enhanced and interdependencies of the billing unit and planning will allow correct valuation roll information and the correct billing of all properties, thus protecting and growing of the municipal revenue base. Whilst at the same time we avoid unnecessary increases in tariffs, it will be detrimental when tariff increases are not aligned to municipal spending on key components required for rendering such services. The major increases in tariffs are aligned to cover the cost of bulk services and at least to break-even in water and sanitation services.

Proposed **Property Rates** revenue in 2017/18 as proposed has increased by 6.4% or R19,319million when compared to the adjusted budget. The increase in the two outer years is at 6.% and 6.47% respectively.

### **Revenue on Service charges**

**Electricity** revenue is at R2, 471billion in 2017/18 financial year giving a growth of 9.1% when compared to the adjusted budget. The reduction is seen only on the reduction of Xstrata billed revenue due to the close of two Xstrata shafts. For the two outer years the increase is at 10% and 10.1% respectively.

The proposed electricity revenue is at 52.47% of the total revenue in 2017/18 whilst the two outer years is standing at R2, 7billion or 52.59% and R2.980billion or 52.89% of total revenue.

**Water** revenue as proposed is at R547, 4million in 2017/18 and increases by R63.31million or 13.1% when compared to the adjusted budget. The outer years increases are standing at R77, 1million or 14% and R94, 249million or 15.1% respectively.

The performance of water services has been constant over the billing period in the current financial year. The expected growth is in line with the revenue enhancement initiatives of ensuring that most of the customers are charged correctly and the reduction in estimates to ensure accurate collection from customers who are economically active. The transfer of Freedom Park Extension 2 to municipality is also anticipated to be finalised that will also generate revenue for the municipality.

The weekly sitting of the revenue enhancement team is working tirelessly to address issues of unread meters, inaccurate billing and illegal connections that is hampering the revenue collection as anticipated.

**Sanitation** is at R300, 693million or 6.38% of the total revenue in 2017/18 as proposed. For the outer years, it is standing at R337, 055million or 6.55% and R381, 222million or 6.77% respectively. It increases by 10.6% in 2017/18 financial year when compared to the adjusted budget. There is an increase of 12% and 13.1% respectively in the outer years. The major growth is due to the inclusion of the Rustenburg Water Services Trust revenue of R182, 343million.

**Waste Management** increases by R21, 916million in the 2017/18 financial year when compared to the adjusted budget. For the two outer years it increases by R28, 189million and R35, 837 million respectively. The increase in 2017/18 financial year is 19.4% to accommodate the full operationalization of the Waterval landfill sites. There is an increase in the proposed revenue in the outer years of 21% and 22% respectively.

The proposed revenue on **Rental of facilities** is at R10, 697 million in 2017/18 financial year and for the outer years is at R11, 328million and R11, 985million respectively. Anticipated revenue is mainly on the following facilities: Rental of Sports Facilities, Kloof Holiday Resort, Community Halls and Housing Provision for Municipal Houses and Flats.

It is envisaged that the municipal parks will generate revenue in the coming financial year, hence the 6.10% increase of revenue in 2017/18 when compared to the adjusted budget. The increase in the outer years is at 6% and 5.80% respectively.

**Interest on outstanding debtors:** This is the interest charged on accounts in arrears. The credit control and debt collection policy has a provision to write off outstanding interest if the whole amount owed is settled.

The proposed increase in 2017/18 is at R11, 959million or 6.10% when compared to the adjusted budget. The increase in the outer years is standing at 6% and 5.80% respectively.

**Interest earned – External Investment performance** The performance of this line item increases by 6.1% in 2017/18 when compared of the adjusted budgeted. There is an anticipated growth in the collection of revenue due to the revenue enhancement strategies that the municipality is embarking on currently, that will allow for additional revenue to be invested. It is projected that the interest from investments will grow by 6.6% and 5.80% respectively in the outer years.

**Fines** services 2017/18 financial year revenue increases by 6.10% when compared to the adjusted budget. It increases by 6% and 5.80% respectively in the outer years.

**Licences and Permits** refer to revenue earned on issuing of various licenses and permits by License Department and the testing fees for vehicles, flammable liquids for Emergency and Disaster Management and trading licenses for Community Development.

The proposed revenue is at R9, 115million in 2017/18 financial year, is at R9, 653million and R10, 213million in the outer years.

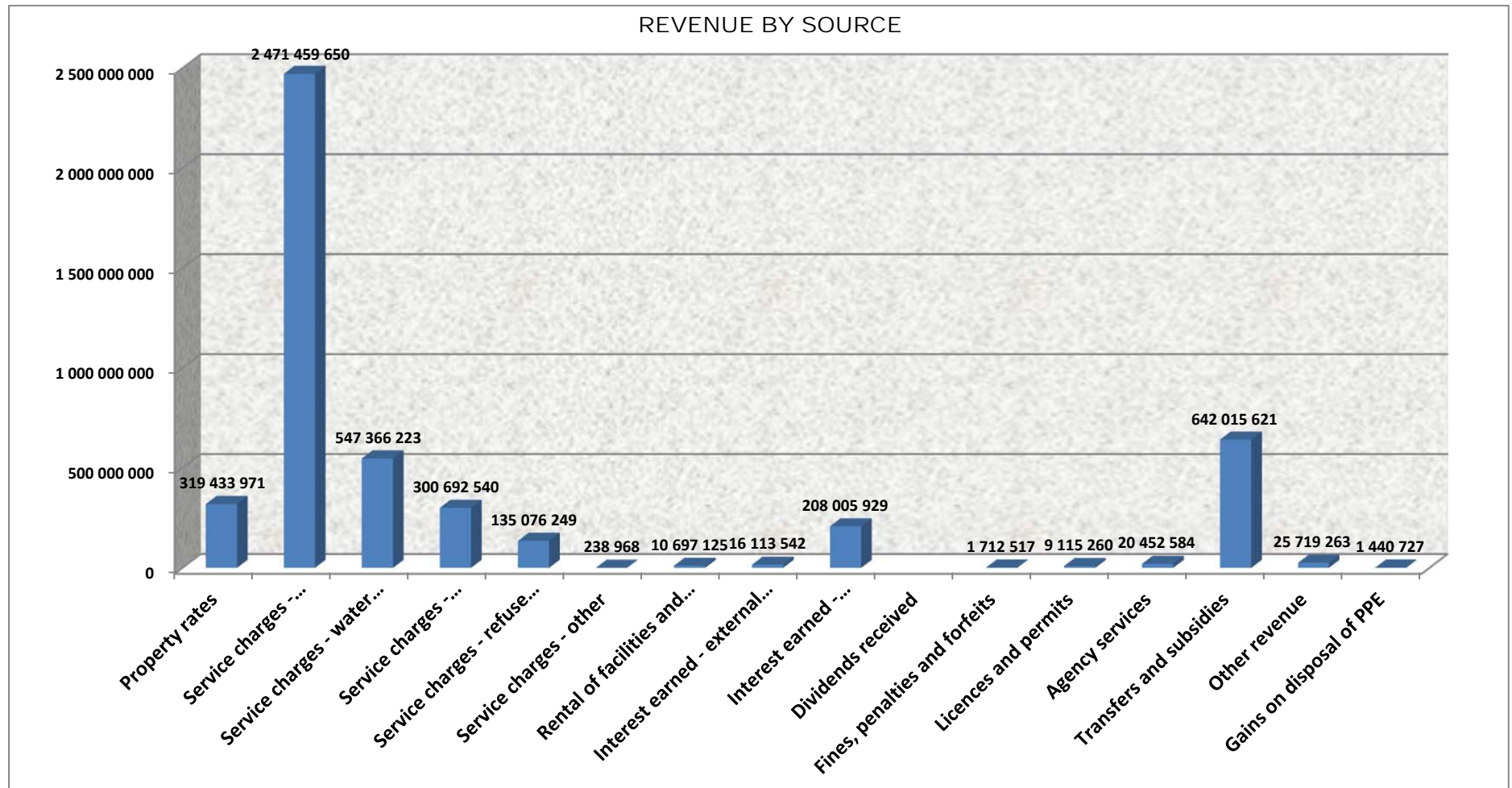
The **income for Agency Services** is for Vehicle Testing and Licenses which is a function done by the municipal on behalf of the Provincial Government. It is important to note that a portion of this revenue is payable to Provincial Government under the 80/20 agreement and the municipality retains 20% before vat of the revenue on vehicle testing and licenses.

The revenue increases by R1, 176million in 2017/18 when compared to the adjusted budget, increases by R1, 207million and R1, 256million in the outer years.



The following table gives a breakdown of the revenue category

**Table 3 revenue by main revenue source**



Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability. Proposed tariffs are attached as **Annexure “B (attached)”**

Tariffs are set by the Rustenburg local municipality for the services it renders, such as electricity, water, sanitation, refuse removal and others. These tariffs are reviewed once a year, with public comment sought on any increases. Tariffs are levied to recover costs of services provided directly and indirectly to customers and other ad hoc services.

The tariffs increases are necessary to address essential operational requirements, maintenance of existing infrastructure provision and to ensure the financial sustainability of the services.

An abnormal high tariffs increase might mean that the municipality will experience difficulties in collecting revenue at expected levels and bad debts might increase. The municipality has strived to minimize its domestic tariff increases to limit the effects of inflation and high interest rates on residents in the 2017/18 financial year.

In revising its tariffs for water, sanitation, electricity and refuse removal, the municipality has taken into account current food and fuel prices, which has soared by sky-high margin. “Considering the financial distress the South African consumer is in: the affordability of most goods and services is at risk.

National Treasury continues to encourage municipalities to keep increase in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

Given that these tariff increases are determined by external agencies, they have impact on the municipality’s electricity and water and these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases with lower consumer tariffs will erode the municipality’s future financial position and viability.

The current challenges facing the Rustenburg Local Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Rustenburg Local Municipality has undertaken the tariff setting process relating to service charges as follows:

### **Property Rates**

Property rates cover the costs of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality’s budgeting process. The tariff increases is between 6.40% and 114% across all properties in 2017/18 whilst the increase for outer years is between 6.25 and 6.33% .

Increases for private own town increased by R111.4 to be in line with Rustenburg Local Municipality tariffs. The assessment rates must be the same for all residential and must not be discriminating.

The municipality will not levy a rate of the first part of the value up R100 000, 00 of the market value as per the Valuation Roll:

The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value in terms of section 17(1)(h) of the Municipal Property Rates Act (MPRA) and on the balance of the market value up to R85 000 in terms of section 15 of the MPRA in respect of the residential properties, provided that the Council from time to time during its annual budget process contemplated in section 12 (2) of the Act determine as threshold, the amount to be deducted from the market value of the residential properties as a result of which rates will only be determined on the balance of the market value of such properties after deduction of the threshold amount.



A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 4– Proposed Property rates tariff increase**

**ASSESSMENT RATES**

TARRIF DESCRIPTION	Approved Tariff 2016/17	2017/2018 Increase	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
	R / C		R / C	R / C	R / C
REBATE EARNINGS< 4500	- 0.4000		- 0.4000	- 0.4000	- 0.4000
REBATE EARNINGS BETWEEN 4500 AND 5500	- 0.3000		- 0.3000	- 0.3000	- 0.3000
REBATE EARNINGS BETWEEN 5500 AND 6500	- 0.2000		- 0.2000	- 0.2000	- 0.2000
GOVERNMENT REBATE 20%	- 0.1000		- 0.1000	- 0.1000	- 0.1000
RESIDENTIAL REBATE	-100 000		-100 000	-100 000	-100 000
RESIDENTIAL 1	0.0060	6.40	0.0064	0.0068	0.0072
RES 1 VACANT LAND	0.0093	6.80	0.0100	0.0106	0.0113
RESIDENTIAL 2-4	0.0060	6.40	0.0064	0.0068	0.0072
RES 2-4 VACANT LAND	0.0093	6.80	0.0100	0.0106	0.0113
BUSINESS/COMMERCIAL	0.0222	7.00	0.0238	0.0253	0.0269
INDUSTRIAL	0.0226	7.00	0.0242	0.0258	0.0274
GOVERNMENT	0.0211	7.00	0.0226	0.0240	0.0256
EDUCATIONAL	0.0203	7.00	0.0217	0.0231	0.0246
MINING	0.0238	7.00	0.0255	0.0271	0.0288
AGRIC RESIDENTIAL	0.0015	6.40	0.0016	0.0017	0.0018

## ASSESSMENT RATES

TARRIF DESCRIPTION	Approved Tariff 2016/17	2017/2018 Increase	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
	R / C		R / C	R / C	R / C
AGRIC VACANT LAND	0.0093	6.80	0.0100	0.0106	0.0113
AGRIC BUSINESS/INDUSTRIAL	0.0236	7.00	0.0253	0.0269	0.0286
AGRICULTURAL	0.0016	6.80	0.0017	0.0018	0.0019
PRIVATE ROAD	0.0063	7.00	0.0067	0.0072	0.0076
GUEST HOUSES	0.0080	7.00	0.0086	0.0091	0.0097
PRIVATE SCHOOLS	0.0222	7.00	0.0238	0.0253	0.0269
CRECHES	0.0222	6.80	0.0237	0.0252	0.0268
PRIVATE OWED TOWN	0.0030	114.00	0.0064	0.0068	0.0072
VACANT - BUSINESS	0.0241	7.00	0.0258	0.0274	0.0292
PRIVATE OPEN SPACES	0.0066	6.80	0.0071	0.0075	0.0080

115.27

0.0034

## SUNDRY TARIFFS

TARIFF DESCRIPTION	Approved Tariffs 2016/17	2017/2018 Increase	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
	R		R	R	R
CLEARANCE CERTIFICATE FEE	67.67	10.00	74.44	78.83	83.56
CLEARANCE APPLICATION FEE: MANUAL	135.34	15.00	155.64	164.83	174.71
CLEARANCE APPLICATION FEE: ELECTRONIC (clearance.com)	315.80	10.00	347.38	367.87	389.94
ISSUING OF DUPLICATE MUNICIPAL ACCOUNT OVER 3 MONTHS (per acc)	3.00	10.00	3.30	3.49	3.70
ADMIN FEE R/D CHEQUE	157.30	10.00	173.03	183.24	194.23
CONSUMER DEPOSIT - RESIDENTIAL	1 600.00	6.30	1 700.80	1 801.15	1 909.22
VALUATION ROLL - Soft copy	734.09	36.22	1 000.00	1 059.00	1 122.54
VALUATION ROLL - Hard copy			1 000.00	1 059.00	1 122.54
VALUATION CERTIFICATE	73.41	5.80	77.67	82.25	87.19
DEED SEARCH	52.43	10.00	57.68	61.08	64.74
LOST COPY OF CERTIFICATE	52.43	20.00	62.92	66.63	70.63
FINAL DEMAND	25.34	6.40	26.96	28.56	30.27
WATER RECONNECTION	506.90	6.40	539.34	571.16	605.43
ELECTRICITY RECONNECTION	354.83	6.40	377.54	399.82	423.80
REMOVAL OF INSTALLATION	2 062.26	6.40	2 194.25	2 323.71	2 463.13
CHEQUE RE ISSUE <i>(New)</i>			150.00	158.85	168.38
ADMIN FEE ON TRANSFERS <i>(New)</i>			5.50	5.82	6.17
SEARCHING OF ANY DISCLOSURE RECORD			R15 P/H OR PART	R16.5 P/H OR PART	R17 P/H OR PART

## **Sale of Water and Impact of Tariff Increases**

The revision in the water tariff is necessities by the high demand of water in relation to the municipal aging water infrastructure, the cost of maintaining the water purification plants, water networks and the cost associated with the reticulation expansion:

Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and are designed to encourage efficient and sustainable consumption.

### **Proposed 2017/18 Tariffs Water and Sanitation Tariffs**

The proposed tariffs for 2017/18 were developed with the objective to provide a sound business management, to narrow the gabs identified form the 2016/17 and outer year's analysis.

- It is therefore proposed that an average of between 10% to 12% be applied across both water and sanitation basic charges (This will provide much better balance and will not necessarily generate significant revenue to allow improvement in terms of infrastructure upgrade and maintenance)
- The Magalies Water, Rand water indicated increases of 9.66% and 10.2% respectively which has been integrated into the formula to determine the 2017/18 tariffs. (it must be noted that our bulk purchases contributes approximately 80% of the total running costs, is therefore impacting our tariffs significantly , more so on water sales.
- We also taking note that some of the proposed percentage increment is quite aggressive, specifically on water sales. The purpose was to adjust previously under-rated tariffs and ensure that the municipality does not carry the burden, specifically with regard to industrial and commercial (but also taking into account that we do not transfer lot of strain to our clients).
- As indicated, the 2017/18 water and sanitation proposed tariffs increment are intensified, with the understand that they will provide more balanced and will allow both units at least to sustain their running costs.
- The increments on 2018/19 and 2019/20 are more relaxed, with average of only 1% top-up annually. (We envisage business to be stabilized in the two outer years)

2017/18	2018/19	2019/2020
Average Increase of (10% -12 %)	Average increase of 13%	Average increase of 14%



**Table 5: Proposed Water Tariffs*****WATER BASIC***

CONSUMER	Approved Tariff 2016/2017 PER MONTH	Approved Tariffs 2016/2017 ANNUAL	Proposed Tariff increase 2017/2018	Proposed Tariffs 2017/2018 PER MONTH	Proposed Tariffs 2017/2018 ANNUAL	Proposed Tariffs 2018/2019 PER MONTH	Proposed Tariffs 2018/2019 ANNUAL	Proposed Tariffs 2019/2020 PER MONTH	Proposed Tariffs 2019/2020 ANNUAL
Residential	63,10	757,16	10,0%	69,41	832,88	77,39	928,66	86,81	1 041,76
Residential Vacant	65,48	785,74	12,0%	73,34	880,02	82,65	991,75	93,76	1 125,09
INDUSTRIAL	67,98	815,71	11,0%	75,45	905,44	84,23	1 010,81	94,62	1 135,39
INDUSTRIAL - Vacant	67,98	815,71	12,5%	76,47	917,67	86,59	1 039,03	98,71	1 184,55
Agricultural	67,98	815,71	12,5%	76,47	917,67	86,59	1 039,03	98,71	1 184,55
BUSINESS	67,98	815,71	18,3%	80,42	964,98	95,98	1 151,82	115,67	1 387,98
BUSINESS - Vacant	67,98	815,71	18,3%	80,42	964,98	95,98	1 151,82	115,67	1 387,98
CHURCH	65,48	785,74	11,0%	72,68	872,17	81,14	973,67	91,14	1 093,67
Educational	65,48	785,74	11,0%	72,68	872,17	81,14	973,67	91,14	1 093,67
STATE OWNED	65,48	785,74	16,1%	75,99	911,92	88,91	1 066,87	104,90	1 258,85
MUNICIPALITY	65,48	785,74	16,1%	75,99	911,92	88,91	1 066,87	104,90	1 258,85

## WATER TARIFFS

CONSUMER	Approved Tariff 2016/2017	2017/2018 Increase	Proposed Tariff 2017/2018	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
DOMESTIC (Prepaid and Conventional meters) TOTAL					
Consumption 0KL to 12KL	10,4786	11,2%	11,6522	13,0330	14,6685
Consumption 13KL to 25KL	12,5728	11,5%	14,0187	15,7243	17,7504
Consumption 26KL to 40KL	14,4399	12,1%	16,1871	18,2593	20,7348
Consumption 41KL to 60KL	16,3754	12,3%	18,3895	20,7826	23,6467
Consumption above 60KL	17,7630	12,5%	19,9833	22,6261	25,7950
Domestic consumers with no meter Minimum charge per household per month	63,0970	11,9%	70,6181	78,0330	86,2265
		11,9%			
AGRICULTURAL DOMESTIC TOTAL					
Consumption 0KL to 12KL	14,2135	11,5%	15,8481	17,7763	20,0668
Consumption 13KL to 25KL	15,0947	12,1%	16,9212	19,0874	21,6751
Consumption 26KL to 40KL	16,6355	12,3%	18,6817	21,1128	24,0224
Consumption 41KL to 60KL	18,3335	5,5%	19,3418	20,4673	21,7286
Consumption above 60KL	20,2046	5,0%	21,2149	22,3371	23,5885
INDUSTRIAL TOTAL					
Consumption 0KL to 60KL	14,9872	13,5%	17,0105	19,4401	22,3805
Consumption 61KL to 100KL	15,5747	19,0%	18,5339	22,2595	26,9982
Consumption 101KL to 150KL	15,8479	30,0%	20,6023	27,1415	36,2644
Consumption 151KL+	16,6980	35,0%	22,5423	30,8897	43,0030

## WATER TARIFFS

CONSUMER	Approved Tariff 2016/2017	2017/2018 Increase	Proposed Tariff 2017/2018	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
INDUSTRIAL: BOSPOORT TOTAL					
Consumption 0KL to 60KL	14,9872	20,0%	17,9847	21,7902	26,6731
Consumption 61KL to 100KL	15,5747	22,3%	19,0478	23,5419	29,4239
Consumption 101KL to 150KL	15,8479	23,9%	19,6356	24,6007	31,1882
Consumption 151KL+	16,6980	23,5%	20,6220	25,7493	32,5291
COMMERCIAL TOTAL					
Consumption 0KL to 60KL	14,9872	15,0%	17,2353	19,9705	23,3269
Consumption 61KL to 100KL	15,5747	16,3%	18,1134	21,2371	25,1156
Consumption 101KL to 150KL	15,8479	25,0%	19,8099	25,0496	32,0662
Consumption 151KL+	16,6284	25,0%	20,7855	26,2833	33,6454
INSTITUTIONAL: Church TOTAL					
Consumption 0KL to 60KL	14,7263	10,8%	16,3167	18,1811	20,3811
Consumption 61KL to 100KL	15,3014	11,5%	17,0611	19,1369	21,6027
Consumption 101KL to 150KL	15,3698	12,0%	17,2141	19,3996	22,0079
Consumption 151KL+	16,0023	12,5%	18,0025	20,3834	23,2381

## WATER TARIFFS

CONSUMER	Approved Tariff 2016/2017	2017/2018 Increase	Proposed Tariff 2017/2018	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
INSTITUTIONAL TOTAL					
Consumption 0KL to 60KL	14,4353	10,8%	15,9944	17,8219	19,9785
Consumption 61KL to 100KL	15,0012	11,5%	16,7263	18,7614	21,1788
Consumption 101KL to 150KL	15,2644	12,0%	17,0961	19,2666	21,8570
Consumption 151KL+	16,0831	12,5%	18,0935	20,4864	23,3556
INSTITUTIONAL:GOVERNMENT TOTAL					
Consumption 0KL to 60KL	14,4353	18,0%	17,0337	20,2776	24,3671
Consumption 61KL to 100KL	15,0012	30,0%	19,5015	25,6913	34,3268
Consumption 101KL to 150KL	15,2644	30,0%	19,8437	26,1420	34,9291
Consumption 151KL+	16,0831	31,0%	21,0689	27,9791	37,6971
PUBLIC AND PRIVATE SCHOOLS					
Consumption 0KL to 60KL	14,1840	18,0%	16,7371	19,9245	23,9428
Consumption 61KL to 100KL	14,7380	30,0%	19,1594	25,2405	33,7246
Consumption 101KL to 150KL	14,8038	30,0%	19,2449	25,3532	33,8751
Consumption 151KL+	15,4130	31,0%	20,1910	26,8133	36,1263
SPECIAL					
Consumption 0KL to 60KL	14,4353	25,0%	18,0442	22,8169	29,2080
Consumption 61KL to 100KL	15,0012	25,0%	18,7515	23,7112	30,3529
Consumption 101KL to 150KL	15,2644	25,0%	19,0804	24,1272	30,8854
Consumption 151KL+	16,0831	25,0%	20,1039	25,4214	32,5421

## **Sanitation and Impact of Tariff Increases**

There is a proposed increase of 10 %.11%, 12.5% for residential and category of business, government, industrial, institutions based on m2 per area over the 2017/18MTREF.

**Table 7: Proposed Sanitation tariff.**

### ***SANITATION SERVICES***

<b>CONSUMER</b>	<b>Approved Tariff 2016/2017</b>	<b>2017/2018 Increase</b>	<b>Proposed Tariff 2017/2018</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b>Residential 1 TOTAL</b>					
Up to and including 300m2	115,5536	10,0%	127,1089	141,3451	159,0755
301m2 to 1000m2	122,4868	10,5%	135,3479	149,5595	167,1477
1001m2 to 2000m2	132,2858	11,0%	146,8372	162,9893	183,0696
2001m2 and Above	145,5143	12,5%	163,7035	184,1665	209,9498
<b>Residential 2-4 TOTAL</b>					
Up to and including 300m2	115,5536	11,0%	128,2645	142,3736	159,9140
301m2 to 1000m2	122,4868	11,5%	136,5728	152,2787	171,8922
1001m2 to 2000m2	132,2858	12,0%	148,1601	165,9393	188,2415
2001m2 and Above	145,5143	12,5%	163,7035	184,1665	209,9498
<b>Business/Commercial TOTAL</b>					
Up to and including 300m2	125,9967	11,0%	139,8563	155,2405	174,3662
301m2 to 1000m2	139,8797	11,3%	155,6861	173,2786	195,2088
1001m2 to 2000m2	158,1026	11,8%	176,7587	197,6162	223,7331
2001m2 and Above	181,8754	12,5%	204,6098	230,1860	262,4121
<b>Industrial TOTAL</b>					
Up to and including 300m2	130,7934	11,0%	145,1807	161,1505	181,0043
301m2 to 1000m2	145,2049	11,3%	161,6130	179,8753	202,6403
1001m2 to 2000m2	164,1215	11,8%	183,4879	205,1395	232,2507
2001m2 and Above	188,7995	12,5%	212,3994	238,9493	272,4022

## SANITATION SERVICES

CONSUMER	Approved Tariff 2016/2017	2017/2018 Increase	Proposed Tariff 2017/2018	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
Government TOTAL					
Up to and including 300m2	130,7934	11,0%	145,1807	161,1505	181,0043
301m2 to 1000m2	145,2049	11,3%	161,6130	179,8753	202,6403
1001m2 to 2000m2	164,1215	11,8%	183,4879	205,1395	232,2507
2001m2 and Above	188,7995	12,5%	212,3994	238,9493	272,4022
Church TOTAL					
Up to and including 300m2	125,9499	11,0%	139,8044	155,1829	174,3014
301m2 to 1000m2	139,1941	11,3%	154,9230	172,4293	194,2520
1001m2 to 2000m2	156,6625	11,8%	175,1487	195,8162	221,6953
2001m2 and Above	181,8754	12,5%	204,6098	230,1861	262,4121
Educational TOTAL					
Up to and including 300m2	125,9499	11,0%	139,8044	155,1829	174,3014
301m2 to 1000m2	139,1941	11,3%	154,9230	172,4293	194,2520
1001m2 to 2000m2	156,6625	11,8%	175,1487	195,8162	221,6953
2001m2 and Above	181,8754	12,5%	204,6098	230,1861	262,4121
Agri Residential TOTAL					
Up to and including 300m2	115,5536	11,0%	128,2645	142,3736	159,9140
301m2 to 1000m2	122,4868	11,3%	136,3278	151,7329	170,9362
1001m2 to 2000m2	132,2858	11,8%	147,8955	165,3472	187,1994
2001m2 and Above	145,5143	12,5%	163,7035	184,1665	209,9498

## SANITATION SERVICES

CONSUMER	Approved Tariff 2016/2017	2017/2018 Increase	Proposed Tariff 2017/2018	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
Agri Business TOTAL					
Up to and including 300m2	125,9967	11,0%	139,8563	155,2405	174,3662
301m2 to 1000m2	139,8797	11,3%	155,6861	173,2786	195,2087
1001m2 to 2000m2	158,1025	11,8%	176,7586	197,6161	223,7331
2001m2 and Above	181,8754	12,5%	204,6098	230,1860	262,4121
Municipal TOTAL					
Up to and including 300m2	125,9967	11,0%	139,8563	155,2405	174,3662
301m2 to 1000m2	139,8797	11,3%	155,6861	173,2786	195,2087
1001m2 to 2000m2	158,1025	11,8%	176,7586	197,6161	223,7331
2001m2 and Above	181,8754	12,5%	204,6098	230,1860	262,4121
Special TOTAL					
Up to and including 300m2	125,9967	11,0%	139,8563	155,2405	174,3662
301m2 to 1000m2	141,1630	11,3%	157,1144	174,8683	196,9997
1001m2 to 2000m2	164,3372	11,8%	183,7289	205,4090	232,5558
2001m2 and Above	186,7909	12,5%	210,1398	236,4073	269,5043
Vacant property TOTAL					
Up to and including 300m2	117,7758	11,0%	130,7311	145,1115	162,9892
301m2 to 1000m2	129,5533	11,3%	144,1928	160,4866	180,7978
1001m2 to 2000m2	145,0997	11,8%	162,2215	181,3636	205,3326
2001m2 and Above	165,4136	12,5%	186,0903	209,3516	238,6609

## **Sale of Electricity and Impact of Tariff Increases**

As the tariffs were aligned in the 2016/2017 financial year, the average increase is based on the Municipal tariff guideline increase and NERSA benchmarks for municipal tariff approval process for the 2017/18 financial year.

The final tariffs will be approved by NERSA

The Energy Regulator granted Eskom an annual average increase of 2.2% leading to a bulk purchase increase of 3.1% for municipalities.

Other factors includes:

Consumer Price Index (CPI) – 6.2%.

Salary increase – CPI plus 1%.

Repairs and maintenance, capital charges and other costs will increase by CPI.

Registered indigents will again be granted 50 kWh per 30-day period free of charge. The fixed charge per month will vary according to the electricity consumer type. The energy rate will be on the sliding scale and will still differ according to consumer type.

The increase in the sale of electricity will not be in line with the 6.4% as per MFMA circular 86 but the increase in electricity sales were based on the past performance.

### **Electricity tariffs**

The proposed increase for electricity tariffs is at 1.88% and 6.10 over the 2017/18 MTREF for residential and category of business, government, industrial, institutions and will be charged within the identified demand block.



## **Residential Tariffs**

This tariff is based on the inclining block principle, that is, the more units used, the higher the rate becomes.

**The domestic tariffs for the 2016/17 benchmark were increased by the municipal tariff guideline increase of 1.88%.**

The proposed tariff increase is 1,70% for block 1 and 2 and 15% for block 3 and for block 4 to cater for the low income groups and to try to align the unit rate with the NERSA Benchmark per unit as per other Municipalities.

As from Residential Town Conventional onwards the proposed tariff increase is the proposed tariff increase is 1,88% for block 1 and 2 as per NERSA guidelines and 15% for block 3 and for block 4 to align Rustenburg tariffs for this groups to the overall benchmark per unit as per other Municipalities.

Except for Residential Town Prepaid, the fixed charges on Business tariffs has also been increased aligned to cater for the administration costs to administrate all.

**Table 6: Proposed electricity consumption for households**

### ***ELECTRICITY TARIFFS***

<b>Description</b>	<b>Provide description of tariff structure where appropriate</b>	<b>Approved Tariff 2016/17</b>	<b>2017/2018 Increase %</b>	<b>Proposed Tariff 2017/18</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b><u>DOMESTIC TARIFFS</u></b>						
<b>Residential Life-line</b>						
<i>Residential 1(1-50 KWH)</i>		84,00	1,88	85,5800	90,6391	96,1681
<i>Residential 2(51-350 KWH)</i>		105,00	1,89	106,9800	113,2989	120,2101
<i>Residential 3(351-600 KWH)</i>		128,00	1,88	130,4100	156,1792	165,7061
<i>Residential 4(601 + KWH)</i>		154,00	1,88	156,9000	187,9031	199,3652
<b>Residential Town Conventional</b>						
<i>Residential 1(1-50 KWH)</i>		84,00	1,88	85,5800	90,7995	96,3383
<i>Residential 2(51-350 KWH)</i>		105,00	1,89	106,9800	113,4994	120,4229
<i>Residential 3(351-600 KWH)</i>		128,00	1,88	130,4100	156,1792	165,7061
<i>Residential 4(601 + KWH)</i>		154,00	1,88	156,9000	187,9031	199,3652
<i>Basic Charge (R/month)</i>		256,55	14,57	293,9234	311,8527	330,8757



## **ELECTRICITY TARIFFS**

**Increases between 1.88% and 6.10%**

<b>Description</b>	<b>Provide description of tariff structure where appropriate</b>	<b>Approved Tariff 2016/17</b>	<b>2017/2018 Increase %</b>	<b>Proposed Tariff 2017/18</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b>Residential Town Prepaid</b>						
<i>Residential 1(1-50 KWH)</i>		84,00	1,88	85,5800	90,7995	96,3383
<i>Residential 2(51-350 KWH)</i>		105,00	1,89	106,9800	113,4994	120,4229
<i>Residential 3(351-600 KWH)</i>		128,00	1,88	130,4100	156,1792	165,7061
<i>Residential 4(601 + KWH)</i>		154,00	1,88	156,9000	187,9031	199,3652
<i>Basic Charge (R/month)</i>		183,00	2,10	186,8430	198,2404	210,3331
<b>Residential Rural Prepaid/Coventional</b>						
<i>Residential 1(1-50 KWH)</i>		84,00	1,88	85,5800	90,7995	96,3383
<i>Residential 2(51-350 KWH)</i>		105,00	1,89	106,9800	113,4994	120,4229
<i>Residential 3(351-600 KWH)</i>		128,00	1,88	130,4100	156,1792	165,7061
<i>Residential 4(601 + KWH)</i>		154,00	1,88	156,9000	187,9031	199,3652
<i>Basic Charge (R/month)</i>		288,50	1,88	293,9238	311,8532	330,8762

### **Commercial or Small Businesses Tariffs**

This tariff shall apply to electricity supplied and made available at 400V (3 phase) or 230V (1 phase) Customers.

To qualify for this tariff, the current may not exceed 3 Phase 150 Ampere and it must be restricted by such a circuit breaker. If the demand of any customer exceeds 150 Ampere current such customer shall be classified as a bulk customer

Fixed Charge per month is increased with 2% for all tariffs.

The proposed average tariff increase for Energy Rate (c/kWh) Winter Charge is 1.88%. This average tariff for Energy Rate (c/kWh) Summer Charge is 17,8% and 18% percent respectively to align Rustenburg tariffs for this groups to the overall benchmark per unit as per other Municipalities..

The proposed average tariff increase for Energy Rate (c/kWh) Summer Charge Prepaid is 1,88 %.

## **Industrial or Bulk Tariffs**

To qualify for this tariff, the current must be more than 400V 150 Ampere. If the demand of any customer exceeds 150 Ampere current such customer shall be classified as a bulk customer.

Bulk consumers are divided into two groups namely:

- Low Voltage: Supply voltage of 400V
- Medium Voltage: Supply voltage of 33 kV or 11 kV

The proposed average tariff increase will be at 3.1% for the Bulk Tariffs as per the approved NERSA guidelines for Eskom to Municipalities. The Summer Energy Rate (c/kWh) Summer Charge is increased by 35% to align with NERSA benchmarks

## **Time of Use Tariffs for Industrial or Bulk Customers.**

To qualify for this tariff, the current must be more than 150 Ampere. If the demand of any customer exceeds 150 Ampere current such customer shall be classified as a bulk customer.

Demand registered during off-peak hours will not be taken into account when calculating the demand charge payable.

For the purposes of this tariff during Winter months, June, July and August, Peak Hours will be from 06:00 to 09:00 and 17:00 to 19:00 on weekdays. Standard Hours will be from 09:00 to 17:00 and 19:00 to 22:00 on weekdays and from 07:00 to 12:00 and 18:00 to 20:00 on Saturdays. Off-peak Hours will be from 22:00 to 06:00 on weekdays, 12:00 to 18:00 and 20:00 to 07:00 on Saturdays and all of Sundays.

The municipalities are encouraged by NERSA to develop time-of-use tariffs in order to enable the customer to benefit from shifting their load. This will also enable municipalities to charge their customers prices that are similar to what Eskom is charging them.

The 2016/2017 approved tariffs is based on the Eskom plus a percentage mark up to cater for distribution costs.

The following must be requested from NERSA. To allow RLM to ensure that the expected revenue is not compromised so drastically, it is suggested that all new TOU applications be approved by the CFO and that the tariff be phased in by means of 50% for the first 6 months after approval and the full rest after this 6 months period.

## **NOTE**

Further to that the following was resolved by NERSA in the signed Review Approval letter dated 29/07/2016.

The approved increase for the Industrial 11kV Bulk TOU was limited from the requested 45,52% to 23,76% for the 2016/2017 financial year in order to cushion the customer against adverse tariff increase in a financial year.

The approved increase for the Industrial 33kV Bulk TOU was also limited from the requested 51,59% to 27,22% for the 2016/2017 financial year.

The Energy Regulator has resolved to allow a similar increase for the 2017-18, financial year, in order to enable the Municipality to gradually align to the NERSA benchmark tariffs for the particular customer group.

Hence the proposed tariff increase of 23,76% % for the for the Industrial 11kV Bulk Time of Use and a tariff increase of 27,22 % for the for the Industrial 33kV Bulk Time of Use.

### **Time of Use Tariffs for Industrial or Bulk Customers > 150 MVA**

Only Glencore, previously known as XSTRATA / GLENCORE qualifies for this tariff

The 2016/2017 approved tariffs is based on the Eskom tariff with a wheeling charge of 7.5% that was initiated due to the fact that XSTRATA / GLENCORE transform internally from 33kV to 11kV and the wheeling charge mainly caters for the loss in 11kV revenue.

The proposed tariff increase is the Eskom Municipal benchmark of more or less 3.1% for the 33kV Bulk Time of Use >150MVA as this is an Eskom based tariff with a wheeling Charge of 7,5% to cater for the internal Auxiliary load forecast of XSTRATA / GLENCORE

This results in the fact that XSTRATA / GLENCORE will only be billed at one metering point and supply agreement can altered accordingly.

It must be noted that a NERSA visits will be undertaken to discuss the proposed tariff increase as requested.

There the municipalities' overall financial and technical performance will be reviewed prior to a final decision on the overall tariff increase. Indicators that is to be considered mainly include:

- a) percentage surplus;
- b) percentage energy losses;
- c) percentage power costs;
- d) repairs and maintenance;
- e) bad debt provision; and
- f) average selling price/average purchase price ratio.

## ELECTRICITY TARIFFS

Description	Provide description of tariff structure where appropriate	Approved Tariff 2016/17	2017/2018 Increase %	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
<b><u>COMMERICAL TARIFFS</u></b>						
-						
<b>Business Rate (Conventional/Prepaid)</b>						
Basic Charge (R/month)		800,00	2,00	816,00	865,78	918,59
Business/Commercial	Energy Rate (c/kWh) Summer	150,00	18,00	177,0000	187,7970	199,2526
Business/Commercial	Energy Rate (c/kWh) Winter	200,00	1,88	203,7600	216,1894	229,3769

## ELECTRICITY TARIFFS

Description	Provide description of tariff structure where appropriate	Approved Tariff 2016/17	2017/2018 Increase %	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
<b><u>INDUSTRIAL TARIFFS</u></b>						
-						
Basic Charge (R/month)		2 663,20	2,00	2 716,46	2 882,17	3 057,98
Industrial (Bulk Supply Town 400 V)	Energy Rate (c/kWh) Summer	100,02	35,00	135,0270	143,2636	152,0027
Industrial (Bulk Supply Town 400 V)	Energy Rate (c/kWh) Winter	167,91	3,10	173,1152	183,6752	194,8794
Industrial (Bulk Supply Town 400 V)	Utilised Demand Charge (R/kVA) 12 month maximum	162,48	3,10	167,5169	177,7354	188,5773
Industrial (Bulk Supply Town 400 V)	Maximum Demand Charge (R/kVA)	40,62	3,10	41,8792	44,4339	47,1443
Basic Charge (R/month)		2 663,20	3,10	2 745,76	2 913,25	3 090,96
Agricultural (Bulk Supply Rural 400 V)	Energy Rate (c/kWh) Summer	100,02	35,00	135,0270	143,2636	152,0027
Agricultural (Bulk Supply Rural 400 V)	Energy Rate (c/kWh) Winter	167,91	3,10	173,1152	183,6752	194,8794
Agricultural (Bulk Supply Rural 400 V)	Utilised Demand Charge (R/kVA) 12 month maximum	162,48	3,10	167,5169	177,7354	188,5773
Agricultural (Bulk Supply Rural 400 V)	Maximum Demand Charge (R/kVA)	40,62	3,10	41,8792	44,4339	47,1443
Basic Charge (R/month)		2 300,00	3,10	2 371,30	2 515,95	2 669,42
Industrial (11kV Bulk Supply Town and Rural)	Energy Rate (c/kWh) Summer	98,00	35,00	132,3000	140,3703	148,9329
Industrial (11kV Bulk Supply Town and Rural)	Energy Rate (c/kWh) Winter	154,00	3,10	158,7740	168,4592	178,7352
Industrial (11kV Bulk Supply Town and Rural)	Utilised Demand Charge (R/kVA) 12 month maximum	39,18	3,10	40,3946	42,8586	45,4730
Industrial (11kV Bulk Supply Town and Rural)	Maximum Demand Charge (R/kVA)	156,75	3,10	161,6093	171,4674	181,9269

**ELECTRICITY  
TARIFFS**

<b>Description</b>	<b>Provide description of tariff structure where appropriate</b>	<b>Approved Tariff 2016/17</b>	<b>2017/2018 Increase %</b>	<b>Proposed Tariff 2017/18</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b><u>TIME -OF -USE</u></b>						
-						
Basic Charge (R/month)		7 272,00	23,76	8999,8272	9548,8167	10131,2945
11 kV Bulk supply Time-of-use	SUMMER: Demand Charge (R/kVA)	34,00	8,00	36,7200	39,6576	42,8302
	Access Charge (R/kVA)	26,00	8,00	28,0800	30,3264	32,7525
	Peak Energy (c/kWh)	112,00	8,00	120,9600	130,6368	141,0877
	Standard Energy (c/kWh)	76,00	8,00	82,0800	88,6464	95,7381
	Off-peak Energy (c/kWh)	54,00	8,00	58,3200	62,9856	68,0244
	WINTER: Demand Charge (R/kVA)	34,00	23,76	42,0784	44,6452	47,3685
	Access Charge (R/kVA)	26,00	23,76	32,1776	34,1404	36,2230
	Peak Energy (c/kWh)	351,00	23,76	434,3976	460,8959	489,0105
	Standard Energy (c/kWh)	102,00	23,76	126,2352	133,9355	142,1056
	Off-peak Energy (c/kWh)	60,00	23,76	74,2560	78,7856	83,5915
	Reactive Energy (c/kVArh)	17,06	23,76	21,1135	22,4014	23,7679

**ELECTRICITY  
TARIFFS**

<b>Description</b>	<b>Provide description of tariff structure where appropriate</b>	<b>Approved Tariff 2016/17</b>	<b>2017/2018 Increase %</b>	<b>Proposed Tariff 2017/18</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b><u>TIME -OF -USE</u></b>						
-						
<i>Basic Charge (R/month)</i>		7 166,00	27,22	9116,5852	9672,6969	10262,7314
<i>33 kV Bulk supply Time-of-use</i>	SUMMER: Demand Charge (R/kVA)	33,00	27,22	41,9826	44,5435	47,2607
	Access Charge (R/kVA)	2 500,00	27,22	3180,5000	3374,5105	3580,3556
	Peak Energy (c/kWh)	110,00	27,22	139,9420	148,4785	157,5356
	Standard Energy (c/kWh)	74,00	27,22	94,1428	99,8855	105,9785
	Off-peak Energy (c/kWh)	52,00	27,22	66,1544	70,1898	74,4714
	WINTER: Demand Charge (R/kVA)	33,00	27,22	41,9826	44,5435	47,2607
	Access Charge (R/kVA)	2 500,00	27,22	3180,5000	3374,5105	3580,3556
	Peak Energy (c/kWh)	345,00	27,22	438,9090	465,6824	494,0891
	Standard Energy (c/kWh)	100,00	27,22	127,2200	134,9804	143,2142
	Off-peak Energy (c/kWh)	58,00	27,22	73,7876	78,2886	83,0643
	Reactive Energy (c/kVArh)	17,06	27,22	21,7037	23,0277	24,4323



## ELECTRICITY TARIFFS

Description	Provide description of tariff structure where appropriate	Approved Tariff 2016/17	2017/2018 Increase %	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
<b><u>TIME -OF -USE</u></b>						
-						
Basic Charge (R/month)		111 817,00	5,02	117 434,00	124 597,47	132 197,92
33 kV Bulk supply NMD >150MVA	SUMMER: Demand Charge (R/kVA)	28,95	0,31	29,0400	30,8114	32,6909
	(R/kVA) Access Charge	15,28	3,10	15,7537	16,7147	17,7342
	Transmission Energy (c/kWh)	7,62	3,10	7,8562	8,3354	8,8439
	Peak Energy (c/kWh)	104,03	0,31	104,3500	110,7154	117,4690
	Standard Energy (c/kWh)	74,03	0,30	74,2500	78,7793	83,5848
	Off-peak Energy (c/kWh)	49,82	0,30	49,9700	53,0182	56,2523
	WINTER: Demand Charge (R/kVA)	28,95	0,31	29,0400	30,8114	32,6909
	(R/kVA) Access Charge	15,28	3,10	15,7537	16,7147	17,7342
	Transmission Energy (c/kWh)	7,62	3,10	7,8562	8,3354	8,8439
	Peak Energy (c/kWh)	13,38	3,10	13,7948	14,6363	15,5291
	Reactive Energy (c/kVArh)	302,82	0,31	303,7500	322,2788	341,9378
	Standard Energy (c/kWh)	97,17	0,31	97,4700	103,4157	109,7240
	Off-peak Energy (c/kWh)	56,32	0,30	56,4900	59,9359	63,5920

The following are the new proposed tariffs

### **Waste Removal and Impact of Tariff Increases**

Waste management division has introduced the waste management tariff policy that outlines the cost to be mapped against the tariff required to reflect costs of rendering the service. The refuse removal charges for households, disposal at landfill sites, rental of skips, industrial ,commercial, institutions waste and other services tariffs increases by 9%, 9.6% over the MTREF. For 2017/18 rental skips increases are at 19%

Annexure B.

The following table compares current and proposed amounts:

**Table 8: Proposed Waste Removal tariffs**

**WASTE MANAGEMENT SERVICES**

	<i>Tariff Code</i>	<i>Unit</i>	<i>Approved Tariff 2016/17</i>	<i>2017/2018 Increase</i>	<i>Proposed Tariff 2017/18</i>	<i>Proposed Tariff 2018/2019</i>	<i>Proposed Tariff 2019/2020</i>
<b>1. DOMESTIC</b>							
STD CONTAINER 1 X WEEK RES 1	AA	R/month	113,93	9,00	124,18	135,61	148,63
STD CONTAINER 1 X WEEK RES 2-4	BA	R/month	113,93	9,00	124,18	135,61	148,63
BAG COLLECTION (4 BAGS each 85L)	NE W	R/month	113,93	9,00	124,18	135,61	148,63
MONTHLY RENTAL PER 240LITER BIN	NE W	R/month	17,39	9,00	18,96	20,70	22,69
<b>2. INDUSTRIAL</b>							
INDUSTRIAL	DA	R/month	129,52	267,13	475,53	519,27	569,12
<b>3. COMMERCIAL</b>							
240L BULK CONTAINER 1 X WEEK	CF	R/month	399,60	19,00	475,53	519,27	569,12
240L BULK CONTAINER (ADDITIONAL)	CG	R/month	340,20	19,00	404,84	442,09	484,53
770L BULK CONTAINER 1 X WEEK	NE W	R/month	1 188,01	19,00	1 413,73	1 543,79	1 691,99
770L BULK CONTAINER (ADDITIONAL)	NE W	R/month	1 004,40	19,00	1 195,24	1 305,20	1 430,50
1100L BULK CONTAINER 1 X WEEK	NE W	R/month	1 706,41	19,00	2 030,63	2 217,44	2 430,32
1100L BULK CONTAINER (ADDITIONAL)	NE W	R/month	1 447,21	19,00	1 722,18	1 880,62	2 061,16
1.5 m³ BULK CONTAINER 1 X WEEK	CB	R/month	1 944,01	19,00	2 313,37	2 526,20	2 768,72
1.5 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	CC	R/month	1 663,21	19,00	1 979,22	2 161,30	2 368,79
4.0 m³ BULK CONTAINER 1 X WEEK	NE W	R/month	4 428,02	19,00	5 269,34	5 754,12	6 306,52
4.0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	NE W	R/month	3 736,82	19,00	4 446,81	4 855,92	5 322,09
6.0 m³ BULK CONTAINER 1 X WEEK	CD	R/month	6 561,29	19,00	7 807,93	8 526,26	9 344,79
6.0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	CE	R/month	5 562,03	19,00	6 618,81	7 227,74	7 921,60
STD CONTAINER 2 X WEEK BUS/COM	CA	R/month	0,00	0,00	0,00	0,00	0,00

# WASTE MANAGEMENT SERVICES

	<b>Tariff Code</b>	<b>Unit</b>	<b>Approved Tariff 2016/17</b>	<b>2017/2018 Increase</b>	<b>Proposed Tariff 2017/18</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b>4. INSTITUTIONAL</b>							
MUNICIPAL	EA	R/month	109,61	19,00	130,44	142,44	156,11
GOVERNMENT	FA	R/month	109,61	19,00	130,44	142,44	156,11
CHURCH	GA	R/month	109,61	19,00	130,44	142,44	156,11
EDUCATIONAL	JA	R/month	109,61	19,00	130,44	142,44	156,11
<b>5. RENTAL SERVICES</b>							
240L BIN RENTAL (Including disposal costs)	CJ	R/week	203,52	19,00	242,19	256,48	271,35
770L CONTAINER RENTAL (Including disposal costs)	NE W	R/week	408,10	19,00	485,64	514,29	544,12
1100L CONTAINER RENTAL (Including disposal costs)	NE W	R/week	466,40	19,00	555,02	587,76	621,85
1.5 m³ CONTAINER RENTAL	CN	R/week	556,50	19,00	662,24	701,31	741,98
4 m³ SKIP CONTAINER RENTAL (First Removal)	CK	R/week	1 123,60	19,00	1 337,09	1 415,97	1 498,10
4 m³ SKIP CONTAINER RENTAL (Additional Removal)	NE W	R/week	954,00	19,00	1 135,26	1 202,24	1 271,97
6 m³ SKIP CONTAINER RENTAL (First Removal)	CL	R/week	1 621,80	19,00	1 929,94	2 043,81	2 162,35
6 m³ SKIP CONTAINER RENTAL (Additional Removal)	NE W	R/week	1 378,00	19,00	1 639,82	1 736,57	1 837,29
9 m³ SKIP CONTAINER RENTAL (First Removal)	NE W	R/week	2 385,00	19,00	2 838,15	3 005,60	3 179,93
9 m³ SKIP CONTAINER RENTAL (Additional Removal)	NE W	R/week	2 027,25	19,00	2 412,43	2 554,76	2 702,94
36 m³ RORO CONTAINER RENTAL (First Removal)	NE W	R/week	5 724,01	19,00	6 811,57	7 213,45	7 631,83
36 m³ RORO CONTAINER RENTAL (Additional Removal)	NE W	R/week	4 865,41	19,00	5 789,83	6 131,43	6 487,06

# WASTE MANAGEMENT SERVICES

	Tariff Code	Unit	Approved Tariff 2016/17	2017/2018 Increase	Proposed Tariff 2017/18	Proposed Tariff 2018/2019	Proposed Tariff 2019/2020
<b>6. OTHER SERVICES</b>							
RENTAL OF WASTE MANAGEMENT HALL	NE W	R/day	892,43	19,00	1 061,99	1 124,64	1 189,87
RENTAL OF PA (SOUND) SYSTEM	NE W	R/day	729,65	19,00	868,29	919,51	972,85
WASTE REMOVAL INFORMAL SETTLEMENT PER SHACK	NE W	R/shack	16,84	19,00	20,04	21,23	22,46
WASTE TRANSPORTER PERMIT VEHICLES UNDER FOUR TON PER ANNUM	NE W	R/vehicle	112,25	19,00	133,58	141,46	149,67
WASTE TRANSPORTER PERMIT VEHICLES ABOVE FOUR TON PER ANNUM	NE W	R/vehicle	224,51	19,00	267,16	282,93	299,34
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1000 SQUARE METERS	NE W	R/stand	9 070,13	19,00	10 793,46	11 430,27	12 093,23
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1001 SQUARE METERS AND ABOVE	NE W	R/stand	11 225,42	19,00	13 358,25	14 146,39	14 966,88
SPECIAL WASTE REMOVAL	KA	R/t	938,27	19,00	1 116,54	1 182,42	1 251,00
CARCASS REMOVAL	KD	R/carcasses	259,28	19,00	308,54	326,74	345,69
CONDEMNED FOODSTUFF	NE W	R/t	885,15	19,00	1 053,33	1 115,48	1 180,18
STREET SWEEPER OR COLLECTION WORKER	NE W	R/h	121,90	19,00	145,06	153,62	162,53
DRIVER	NE W	R/h	180,20	19,00	214,44	227,09	240,26
240 LITER BIN ONCE OFF PURCHASE	???	R	572,50	19,00	681,27	721,47	763,31
770 LITER BIN ONCE OFF PURCHASE	???	R	5 388,20	19,00	6 411,96	6 790,26	7 184,10
1100 LITER BIN ONCE OFF PURCHASE	???	R	5 612,71	19,00	6 679,12	7 073,19	7 483,43

## WASTE MANAGEMENT SERVICES

	<b>Tariff Code</b>	<b>Unit</b>	<b>Approved Tariff 2016/17</b>	<b>2017/2018 Increase</b>	<b>Proposed Tariff 2017/18</b>	<b>Proposed Tariff 2018/2019</b>	<b>Proposed Tariff 2019/2020</b>
<b>7. DISPOSAL CHARGES AT THE DROP-OFF CENTRES AND TRANSFER STATIONS</b>							
GARDEN WASTE	NEW	R/t	10,60	19,00	12,61	13,36	14,13
<b>8. DISPOSAL CHARGES AT THE WATERVAL LANDFILL</b>							
Non Municipal Resident	NEW	R/t	333,90	19,00	397,34	420,78	445,19
General waste (household waste and similar commercial, industrial and institutional wastes)	NEW	R/t	79,50	19,00	94,61	100,19	106,00
Private deliveries of any kind of uncontaminated (non-hazardous) waste (passenger car, pick-up, bakkie / trailer up to 1,000 kg payload) - once a week	NEW	R/t	0,00	0,00	0,00	0,00	0,00
Garden waste (free from impurities)	NEW	R/t	0,00	0,00	0,00	0,00	0,00
Construction and demolition waste (uncontaminated soil and rubble up to a length of 80 cm from edge to edge)	NEW	R/t	5,30	19,00	6,31	6,68	7,07
Rubble (stone, concrete or asphalt) with a length of larger than 80 cm from edge to edge	NEW	R/t	10,60	19,00	12,61	13,36	14,13
Mixed construction and demolition waste (including glass, packagings, gypsum, wood, plastics, metals, etc.)	NEW	R/t	106,00	19,00	126,14	133,58	141,33
Special waste (Includes solid, liquid, sludge waste or waste requiring special handling, e.g. condemned foodstuff, animal carcasses, de-listed sanitary waste, rags and grit from sewerage works, incinerator ash, sludge etc. all special wastes will require prior approval and laboratory testing)	NEW	R/t	212,00	19,00	252,28	267,16	282,66

## WASTE MANAGEMENT SERVICES

	<i>Tariff Code</i>	<i>Unit</i>	<i>Approved Tariff 2016/17</i>	<i>2017/2018 Increase</i>	<i>Proposed Tariff 2017/18</i>	<i>Proposed Tariff 2018/2019</i>	<i>Proposed Tariff 2019/2020</i>
<b>8. DISPOSAL CHARGES AT THE WATERVAL LANDFILL</b>							
Mixed industrial and commercial waste	NEW	R/t	159,00	19,00	189,21	200,37	212,00
Mixed recyclable wastes (impurities less than 5%)	NEW	R/t	0,00	0,00	0,00	0,00	0,00
Waste tyres up to a diameter of 0.8 m (normal passenger vehicle tyre) - without wheel rim	NEW	R/tyre	5,30	19,00	6,31	6,68	7,07
Waste tyres up to a diameter of 0.8 m (normal passenger vehicle tyre) - with wheel rim	NEW	R/tyre	7,95	19,00	9,46	10,02	10,60
Waste tyres with a diameter of larger than 0.8 m - without wheel rim	NEW	R/tyre	15,90	19,00	18,92	20,04	21,20
Waste tyres with a diameter of larger than 0.8 m - with wheel rim	NEW	R/tyre	23,85	19,00	28,38	30,06	31,80
Tyres cut or shredded	NEW	R/t	106,00	19,00	126,14	133,58	141,33
E-waste (if more than 50kg) (Electrical and electronical waste)	NEW	R/t	53,00	19,00	63,07	66,79	70,67
Bulky waste (Furniture, sofas, beds, mattresses, shelves, carpets, bicycles, and other bulky household items)	NEW	R/t	53,00	19,00	63,07	66,79	70,67
Hazardous Household Waste (If more than 10kg)	NEW	R/kg	10,60	19,00	12,61	13,36	14,13

## **SUNDRY TARIFFS attached as Annexure “B”**

### **1. Community development**

The cemetery tariffs increase is at 5.8 % and 6% over the 2017/18. The revised tariffs were calculated based on the projected revenue and expenditure for the 2016/17 financial year as a base to calculate the 2017/18 tariffs for all cemeteries in Rustenburg Local Municipalities jurisdiction per activity type.

Civic Centre increase is at 5.8 % and 6% over the 2017/18. The revised tariffs were calculated using the 2016/17 projected revenue and expenditure as a baseline for all the activities of the civic centre and community halls for the year.

It should be noted that the civic centre is not run as a business unit, hence not all the costs incurred to run it will be recovered due to it being used for free in most instances.

#### Community Halls

For all the halls including civic centre an hourly rate was discontinued in 2016/17 financial to a flat rate per time frame. All the community halls will be charged the following flat amount:

The increases are to cover the costs of overtime to be paid to employers and additional running costs.

For all community halls increases is at 5.8 % and 6% over the 2017/18MTREF as the rates were aligned properly in 2017/18 to differentiate the charges per area to accommodate the income level per consumer types.

It should be noted that all of the above services type were in the past operating at a loss and will still be operating at a loss especially due to the expenditure not directly linked to the rendering of this service.

**Swimming pools**: The proposed increase is kept at 5.8 % and 6% over the 2017/18MTREF for all municipal swimming pools.



### **Additional tariff effected 2017/18MTREF**

#### **Musical festival Concerts:**

0-500 people per day	R40 000
501-3000 people per day	R100 000
Above 3001 people per day	R150 000
Booking fee/deposit	R 10 000

### **Annexure “B” and “C” is all the tariffs of the municipality**

#### **Overall Impact of Tariff Increases on Households**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services. Note that in all instances the overall impact of the tariff increases on household's bills is between 6% and 6.2% for all services except electricity that is at 8% for all types of consumers in 2017/18.

### **OPERATING EXPENDITURE FRAMEWORK**

The municipality's expenditure framework for the 2017/18MTREF is informed by the following:

- Reduction in allocation of conditional grants to municipalities by National Treasury
- Growth in the debtors' book that does not translate into additional revenue to fund revenue generating projects.
- mSCOA reforms that require budgeting for maintenance at the project level.
- Required funding for the mSCOA compliance system
- Historically ageing infrastructure with the inability to budget adequately for maintenance.

The following table is a high level summary of the 2017/18 and MTREF (classified per main type of operating expenditure) to be adjusted.

**Table 9: Summary of Operating Expenditure Financial Performance (Expenditure)**

**NW373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Expenditure By Type</u>	-										
Employee related costs	2	-	-	-	577 889	580 038	580 038	580 038	632 787	676 883	723 659
Remuneration of councillors					30 722	30 837	30 837	30 837	33 500	35 819	38 296
Debt impairment	3				386 643	386 643	386 643	386 643	560 536	583 311	601 235
Depreciation & asset impairment	2	-	-	-	415 968	415 977	415 977	415 977	440 290	465 241	480 216
Finance charges					52 721	61 822	61 822	61 822	61 565	61 026	61 754
Bulk purchases	2	-	-	-	1 769 272	2 082 000	2 082 000	2 082 000	2 167 582	2 436 036	2 765 418
Other materials	8				131 712	168 388	168 388	168 388	173 055	196 060	233 297
Contracted services		-	-	-	208 411	313 749	313 749	313 749	241 982	249 151	262 349
Transfers and subsidies		-	-	-	30 204	19 749	19 749	19 749	6 060	6 389	6 731
Other expenditure	4, 5	-	-	-	287 919	237 143	237 143	237 143	235 856	213 701	229 098
Loss on disposal of PPE											
<b>Total Expenditure</b>		-	-	-	<b>3 891 460</b>	<b>4 296 346</b>	<b>4 296 346</b>	<b>4 296 346</b>	<b>4 553 213</b>	<b>4 923 617</b>	<b>5 402 051</b>

The overall increase in operating expenditure is at 6%, 8. %,9.7% over the 2017/18MTREF

**Employee-Related Costs** refers to salaries and benefits of all the municipal staff.

- The proposed budget for **employee related costs** for the 2017/18 financial year is at R632,787 million inclusive of filling of vacancies and temporary workers, which equals 13.90 (%) per cent of the total operating expenditure in 2017/18, as well as 13.75% and 13.40% respectively in the outer years. It should be noted that the salary component is based on the actual head count received from the salary office taking into account temporary workers.

Employee-related costs budget increases by 9.09% or R52, 749million in 2017/18 financial year when compared to the adjusted budget. The increase is above the wage agreement with the union of CPI plus 1% (7.4%) by 2.02 %.

The increase is as a result of the following:

- I. Provision for medical aid continued membership proposal of R4,538million ,R4,806million and R5,085million over the 2017/18MTREF
- II. Skills levy transferred from general expenses to salaries to align it with MSCOA requirements, at R5,475million, R5,798million and R6,135million over the 2017/18MTREF
- III. Workman's Compensation fund contributions moved from general expenses to salaries to align it to mSCOA provided at R2, 224million, R2, 355million and R2, 492million over the 2017/18.
- IV. MTREF set aside to cover the cost of filling of critical vacancies and medical aid that increases annually in January. For the outer years increase is standing at 7% and 6.91% respectively.

The cost associated with the **remuneration of councilors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Total increase is at 8.64% in 2017/18 financial year when compared to the adjusted budget. The most recent proclamation has not been received. The increase above 7% on remuneration of Councilors is to accommodate envisaged increases in December and the costs of data bundles. Remuneration of councilors equates to 0.74% of the total operating budget in 2017/18 and is at 0.73% and 0.71% respectively in the outer years.

**The provision of debt impairment** was determined based on the projected average collection rate of 85.15 % . The municipality is being mindful of its local economic conditions, downturn in the global economy and the high rate of unemployment. The write offs will happen with the Debt Write-off Policy and credit control policy of Rustenburg local municipality. Debt impairment is at 12.31% of the total expenditure for the 2017/2018 budget year and is at 11.85% and 11.13% for the two outer years respectively.

The increase in 2017/18 financial year is R173, 893million or 44.98% when compared to the adjusted budget. It is increasing at 4% and 3.1% respectively in the outer years.

The provision is declining as there is the revenue enhancement committee that is tracking performance of the trading services that will inform accurate billing and likely reduction in the debtors book through data cleansing that will inform write offs of all debts that is not collectable.

**Provision for depreciation and asset impairment** has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of asset rate of consumption. Through the implementation of mSCOA, the municipality will be able to accurately track the performance of its asset monthly and reduce the unauthorised expenditure that happens at year end due to inadequate provision.

The proposed depreciation for 2017/2018 financial year is R24,313 million and is at 9.67% of total operational expenditure. The outer year's provision for depreciation and debt impairment is at 9.45% and 8.89% of total outer year's expenditure respectively.

**Depreciation** increased by 5.84% for 2017/2018 financial year and the outer years increased by 6% and 3.21% respectively.

**Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.4% (per cent) (R61, 565 million) of the operating expenditure and decreases by 0.41% in 2017/18 financial year when compared to the adjusted budget

**Bulk purchases** are directly informed by the purchase of electricity from Eskom, water from Rand Water, Magalies Water and bulk purchase of purified water from the Rustenburg Water Services Trust. The Eskom Magalies water and Rand water tariff increases is at 9.66% and 10.2% respectively.

- As indicated, the 2017/18 water and sanitation proposed tariffs increases are intensified, with the understanding that they will provide more balance and allow both units to at least sustain their running costs.
- The increments on 2018/19 and 2019/20 are more relaxed, with average of only 1% top-up annually. (We envisage business to be stabilized in the two outer years)

2017/18	2018/19	2019/2020
Average Increase of (10% -12 %)	Average increase of 6.4+1%	Average increase of %

The projected expenditure for Magalies water is based on the 2016/17 financial year spending for the past eight (8) months projected for the full year multiplied by 12 plus (+) 9.66% giving us projected expenditure of R29,595million.

Rand water projected bulk purchases is also based on the projected full year performance of 2016/17 financial year plus (+) 10.2%.Rand water extract water from Vaal and treat it at Zuikerbosch and supply Rustenburg through Barnaardvlei and the projected spending is at R262,337million.

	Ytd Adjusted Budget	Ytd Projected Bulk	% Increase	%	'2017/18
Magalies Water	24 401 224	25 530 661,97	2 466 262	9.66	27 996 924
Rand water	260 038 579	261 932 889,51	26 717 155	10.20	288 650 044

NERSA approved 2.2% electricity tariff increase for ESKOM in 2017/18 financial year as per MFMA circular 85.

Budget proposals in this regard are R2.168billion for the 2017/18 financial year and equates to 47.61% of the total operating expenditure. It is at 49.48% and 51.19% for the outer years respectively.

Electricity purchases proposed budget is at R1, 828 billion or 84.38% of the total bulk purchases in 2017/18. For the two outer years it is standing at R2, 055billion and R2, 305 billion or 84.40% and 83.38 respectively. Water a purchase is standing at 15.62% of the proposed 2017/18 bulk purchases and in the two outer years is at 15.60% and 16.62% respectively.

**Repairs and maintenance** comprise of amongst others the materials for maintenance In terms of mSCOA municipal budgeting for maintenance has to be at project level. The current budgeting is not informed by the assets maintenance plan.

Other material is appropriated at R173, 1million or 3.80% of the 2017/18 total operating budget and the 2018/19 amount is R196, 06 at a rate 3.98% and the amount for 2019/20 is 262, 35 at a rate 4.31% of the proposed budget for the outer year respectively. The increases are at 2.8%, 13% and 19% respectively over the 2017/18MTREF.

**A contracted services** spending have been appropriated at R241, 982million in 2017/18 financial year and is at 5.31% of the total operating budget. For the outer years it is standing at R249, 151million or 5.06% and R262, 349million or 4.86% respectively. Contracted services expenditure has deceased by R71, 767 million or 22.9% when compared to the adjusted budget. The Directorate previously had several number of services providers assisting with the rendering of maintenance service in the water and sanitation distribution on an ad-hoc basis.

The proposed new structure for water and sanitation units according to the Directorate Technical and Infrastructure report, will limit the incurrence of maintenance services expenditure on service providers except for services requiring specialized skills and machinery.

The municipality had in the past placed more reliance on contractors for even jobs that could have been performed by internal staff. It is imperative that operational efficiency be attended to in order to ensure value for money.

Increase participation of internal staff is expected to translate in the reduction of the contracted services budget for the water and sanitation once these positions are filled. Contracted services proposed budget increases by 3% and 5.3 % respectively in the outer years.

Major spending is for the Rustenburg Water Services Trust at on sewer treatment R103million, R46million for PTIS, R36,07 million for waste collection.

**Other expenditure** comprises of various line items relating to the daily operations of the municipality. This services are mainly on (Advertising, Travelling, Stationery, Rentals, Copy Charges, Financial Management activities, Materials and Stock, Departmental Charges, Transport, etc.)

mSCOA budgeting will require the unbundling of all expenditure items to be part of operational projects related to municipal running costs and typical work streams, linked to the expenditure items in order to transact in the financial system by 1<sup>st</sup> July 2017.

There is a proposed decrease of 22.9 (%) percent or R71, 767million in 2017/2018 budget year when compared to the adjusted budget. For the two outer years, proposed spending increases by R7, 169million or 3% and 5.3% respectively. It is at 5.31% of total proposed expenditure in the 2017/18 financial year and is at 5.06% and 4.86% respectively for the two outer years.

**Table 10 Percentage growth in expenditure by main expenditure type**

**NW373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description  R thousand	Ref	Current Year 2016/17					2017/18 Medium Term Revenue & Expenditure Framework				
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	%	Budget Year 2017/18	%	Budget Year +1 2018/19	%	Budget Year +2 2019/20
<u>Expenditure By Type</u>	-										
Employee related costs	2	577 889	580 038	580 038	580 038	9.1	632 787	7.0	676 883	6.9	723 659
Remuneration of councillors		30 722	30 837	30 837	30 837	8.6	33 500	6.9	35 819	6.9	38 296
Debt impairment	3	386 643	386 643	386 643	386 643	45.0	560 536	4.1	583 311	3.1	601 235
Depreciation & asset impairment	2	415 968	415 977	415 977	415 977	5.8	440 290	5.7	465 241	3.2	480 216
Finance charges		52 721	61 822	61 822	61 822	-0.4	61 565	-0.9	61 026	1.2	61 754
Bulk purchases	2	1 769 272	2 082 000	2 082 000	2 082 000	4.1	2 167 582	12.4	2 436 036	13.5	2 765 418
Other materials	8	131 712	168 388	168 388	168 388	2.8	173 055	13.3	196 060	19.0	233 297
Contracted services		208 411	313 749	313 749	313 749	-22.9	241 982	3.0	249 151	5.3	262 349
Transfers and subsidies		30 204	19 749	19 749	19 749	-69.3	6 060	5.4	6 389	5.4	6 731
Other expenditure	4, 5	287 919	237 143	237 143	237 143	-0.5	235 856	-9.4	213 701	7.2	229 098
Loss on disposal of PPE											
<b>Total Expenditure</b>		<b>3 891 460</b>	<b>4 296 346</b>	<b>4 296 346</b>	<b>4 296 346</b>	<b>6.0</b>	<b>4 553 213</b>	<b>8.1</b>	<b>4 923 617</b>	<b>9.7</b>	<b>5 402 051</b>

**Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

**Table 11 Operational repairs and maintenance**

NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]



## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

## NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

[illegible]

NW373 Rustenburg - Supporting Table SA34c Consolidated repairs and maintenance by asset class

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
-										
<u>Furniture and Office Equipment</u>		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment										
<u>Machinery and Equipment</u>		-	-	-	-	-	-	-	-	-
Machinery and Equipment										
<u>Transport Assets</u>		-	-	-	-	-	-	-	-	-
Transport Assets										
<u>Libraries</u>		-	-	-	-	-	-	-	-	-
Libraries										
<u>Zoo's, Marine and Non-biological Animals</u>		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals										
<b>Total Repairs and Maintenance Expenditure</b>	1	-	-	-	131 712	168 388	168 388	168 388	173 055	181 860
<i>R&amp;M as a % of PPE</i>		0.0%	0.0%	0.0%	1.4%	1.8%	1.8%	1.8%	1.9%	1.9%
<i>R&amp;M as % Operating Expenditure</i>		0.0%	0.0%	0.0%	3.4%	3.9%	3.9%	3.9%	3.8%	3.7%



## Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 12: 2016/17 Medium-term capital budget per vote include 2019/20**

NW373 Rustenburg - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description  R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b><u>Capital Expenditure - Functional</u></b>											
<b><i>Governance and administration</i></b>		-	-	-	18 465	11 040	11 040	11 040	27 722	24 813	24 813
Executive and council					7 465	-	-	-	27 722	24 813	24 813
Finance and administration					-	-	-	-	-	-	-
Internal audit					11 000	11 040	11 040	11 040	-	-	-
<b><i>Community and public safety</i></b>		-	-	-	9 391	12 863	12 863	12 863	9 153	1 605	1 605
Community and social services					1 532	4 997	4 997	4 997	9 153	1 605	1 605
Sport and recreation					7 859	7 866	7 866	7 866	-	-	-
Public safety					-	-	-	-	-	-	-
Housing					-	-	-	-	-	-	-
Health					-	-	-	-	-	-	-
<b><i>Economic and environmental services</i></b>		-	-	-	305 002	335 242	335 242	335 242	272 778	220 976	220 976
Planning and development					-	-	-	-			
Road transport					305 002	335 242	335 242	335 242	272 778	220 976	220 976
Environmental protection					-	-	-	-			
<b><i>Trading services</i></b>		-	-	-	144 016	277 108	277 108	277 108	260 321	261 000	234 000
Energy sources					21 800	76 944	76 944	76 944	21 700	10 000	10 000
Water management					53 216	128 884	128 884	128 884	156 058	208 000	208 000
Waste water management					69 000	71 279	71 279	71 279	82 564	43 000	16 000
Waste management					-	-	-	-	-	-	-
<b><i>Other</i></b>					10 000	10 000	10 000	10 000	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	486 874	646 252	646 252	646 252	569 974	508 395	481 395

<b>Funded by:</b>											
National Government					397 342	426 947	426 947	426 947	499 521	463 789	463 789
Provincial Government					1 532	2 582	2 582	2 582	1 453	1 605	1 605
District Municipality					–	–	–	–	–	–	–
Other transfers and grants					–	–	–	–	–	–	–
Transfers recognised - capital	4	–	–	–	398 874	429 529	429 529	429 529	500 974	465 395	465 395
Public contributions & donations	5				69 000	69 000	69 000	69 000	69 000	43 000	16 000
Borrowing	6				–	128 603	128 603	128 603	–	–	–
Internally generated funds					19 000	19 120	19 120	19 120	–	–	–
Total Capital Funding	7	–	–	–	486 874	646 252	646 252	646 252	569 974	508 395	481 395

The proposed capital budget for the 2017/18 financial year is at R569, 974million. It is standing at R508, 395million and R481, 395million in the outer years. There is an increase of R30, 566million or 4.73% in 2017/18 when compared to the adjustment budget. The capital budget decreases by R168, 4million and R27million over the MTREF due to loan funded projects that are not catered for in 2018/19 and the reduction of the capital grants funding over the MTREF as per the Division of Revenue Act (DORA).

The loan funded projects totalling R128, 603million were rolled over from the 2015/16 financial year due to work- in- progress on projects that were already committed based on allocated funds as requested from DBSA. A total of 16.92% of these funds are expected to be spent in the 2016/17 financial year hence a borrowing liability of R106, 844million has been provided for in sheet A8. It should be noted that the non-spent portion of the received loan is no longer available to fund these projects except to tap in the current projected revenue from rates and trading services as it is collected. The total request is provided for in the A1 Schedule sheet A8 of the version 6.1.

The municipality was allocated R7, 465 million and R400, 000 in 2016/17 financial year per DORA to be spent on capital and operational budget respectively for neighbourhood development. These funds were withheld by National Treasury as the municipality did not submit a plan on how the funds will be utilized.

There is an allocation of R27, 722million for 2017/18 financial year and R24, 813million for the two outer years in the DORA to be spent on neighbourhood development. The municipality is encouraged to be pro-active in ensuring that the plan is submitted timeously to the National Treasury in order to secure this funding.

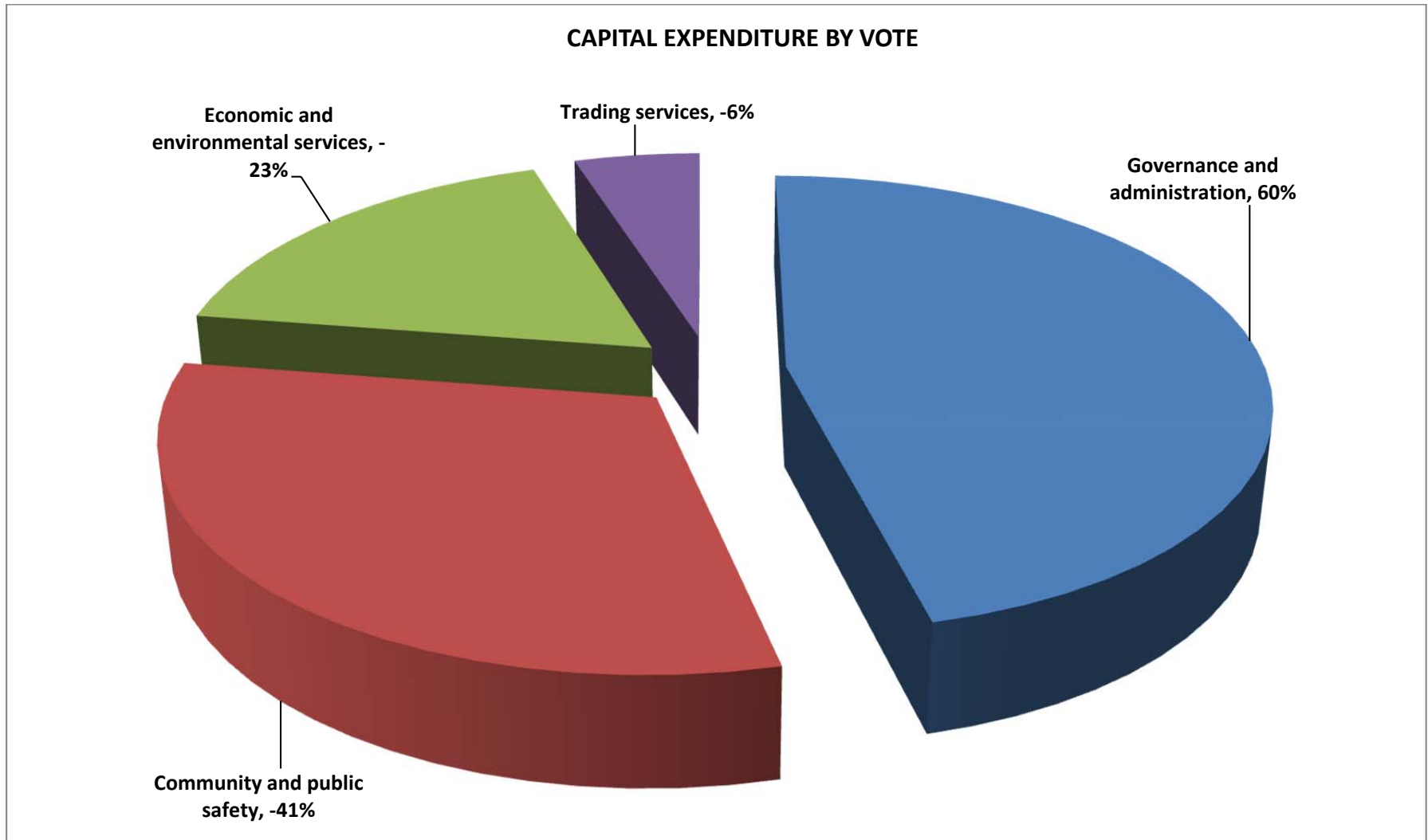
Grant funded capital budget is at 87.9%, 91.5% and 96.68% of the total proposed budget over the 2017/18MTREF.

The capital budget spending is mainly on the following:

DESCRIPTION	2017/18	2018/19	2019/20
Public Transport N Grant	232 777 680	178 976 209	178 976 209
Municipal Infrastructure Grant	165 021 420	172 000 000	172 000 000
Rustenburg Water Services Trust	69 000 000	<b>43 000 000</b> 000,00	<b>160 000 000</b> 000,00
Water Infrastructure Grant	74 000 000	<b>88 000 000</b> 000,00	<b>880 000 000</b> 000,00
Neighbourhood Development	27 722 000	24 813 000	24 813 000
DSAC (LIBRARIES)	1 453 120	1 605 390	1 605 390
<b>TOTAL</b>	<b>569 974 220</b>	<b>508 394 599</b>	<b>481 394 599</b>



The following graph provides a breakdown of the capital budget to be spent per directorates





The Capital budget is funded from the National, Provincial, and External Borrowings. The National Government has huge funding source in capital projects because of the Municipal Infrastructure Grant and Public Transport Infrastructure System Grant. Total capital budget is proposed include the Rustenburg Water Services Trust.

#### Annual Budget Tables – Consolidated information.

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. Each table is accompanied by explanatory notes on the facing page.

#### Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget.
- The Budget Summary provides the key information in this regard:
  - a) The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
  - b) Capital expenditure is balanced by capital funding sources, of which;
    - 1. Transfers recognized are reflected on the Financial Performance Budget;
    - 2. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
- Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Budget Policy. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues

to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs

### Standard Classification

#### **Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification

- Note that as a general principle, the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water and Waste management functions.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

### Budgeted Financial Performance (revenue and expenditure by municipal vote)

#### **Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.
- Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

### Budgeted Financial Performance (revenue and expenditure) Explanatory notes to - Budgeted Financial Performance (revenue and expenditure)

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of RLM

- Bulk purchases have increased over the 2013/14 to 2017/18MTREF. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water and Magalies water.

Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



- **MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**
  - Table A5 is a breakdown of the capital Programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
  - The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
  - The capital programmes are funded from national, provincial grants and transfers, public contributions and donations, loans and internally generated funds.

#### **Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet). This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. Table SA3 provides a detailed analysis of the major components of a number of items, including: ‘2
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement:** The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. Cash and cash equivalents totals R610, 636 million as at the end of the 2017/18 financial year as budgeted, and is at R1, 037billion and R1,531billion for the outer years respectively.

### **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus**

**Reconciliation.** The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the budget must be “funded”. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

**Overview of the annual budget process** Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act

### **Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (1<sup>st</sup> August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time lines

### **IDP and Service Delivery and Budget Implementation Plan**

The Municipality’s IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into consideration and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

### **Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-

term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The RLM has seven strategic objectives for the 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table SA4** is reconciliation between the IDP strategic objectives and budgeted revenue  
**Table SA5** is Reconciliation between the IDP strategic objectives and budgeted operating expenditure. **Table SA7** - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.

### **Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the RLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

### **Planning, budgeting and reporting cycle**

The performance of the RLM relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. RLM therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and improvement (making changes where necessary).

The performance information concepts used by the RLM in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury.

### **Table SA8 is a Performance indicators and benchmarks**

#### **Performance indicators and benchmarks**

##### **Borrowing Management**

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, RLM borrowing strategy is primarily informed by the affordability of debt repayments.

The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- Capital charges to operating expenditure are a measure of the cost of borrowing in relation to the operating expenditure.

#### Liquidity

- Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the RLM has set a limit of 1. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

### **Revenue Management**

As part of the financial sustainability, an aggressive revenue management has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears. The intention is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

On revenue enhancement, the initiative to install prepaid meters for domestic customers is on going and additional interns have been appointed to verify the billing data on basic services.

A committee is established to look at top two hundred outstanding debts in order to ensure effective revenue collection.

The municipality is no longer outsourcing meter reading as it was not yielding intended results. This will ensure accountability on accuracy of information and ensuring that all meters are read. Internal meter readers are given automated gadgets so as to ensure that the information is captured in real-time.

The ongoing data cleansing exercise ensures that inaccuracies and errors in the billing are addressed as and when identified. This will ensure that all connections are uploaded on the financial system and billed accurately every month.

Query management system has been implemented to ensure improved customer relations.

RLM, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business. \Open tender system has been introduced where members of community are able to be non-participant observers in the gallery through the bidding processes.

Monthly water losses are a concern to the municipality and the following initiatives are earmarked to reduce non-revenue and water losses:

#### **1. Water Demand Management:**

- Magalies water and Rand Water is assisting, through the on war on leaks project to ensure water conservation.

- Rustenburg Water Services Trust will be doing pressure monitoring on areas where we experience a lot of pipe burst.
- The Trust will do corrective measures by installing pressure relieve valves and zonal meters
- Replacement of ac pipes is an on-going activity
- Replacement of domestic and bulk water meters and even relocating inaccessible meters and faulty meters is on-going projects for the water unit.

### **Free Basic Services: basic social services package for indigent households**

The SA9 table indicates the rand value definition of poor for our municipality as calculated. It was calculated using the Statistics South Africa average poverty income which was stated for 2016. The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Rustenburg local municipality.

The cost of the social package of the registered indigent households is largely financed by National government through the local government equitable share received in terms of the annual Division of Revenue Act.

The following are free basic services for registered indigent consumers (households) in terms of the Municipality's Indigent Policy:

- 50kwh of electricity
- 6kl water
- Refuse
- Sanitation

Indigent households who qualifies for free basic services will not be liable to pay for the municipal services except where they exceed the free basic services provided by Council in terms of the policy

### **Providing clean water and managing waste water**

The Rustenburg Local Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider

- The following is briefly the main challenges facing the municipality in this regard:
- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes;

### **Overview of budget related-policies**

Rustenburg Local Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies are attaches as Annexure "D"

## **Property Rates Policy**

The other aim of the policy is to ensure that all owners of rateable property are informed about their liability for rates. The revision is on page 23 and 72 and is highlighted in green.

## **Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council and it is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

Some of the possible revisions will include the lowering of the credit periods for the down payment of debt, the revision of the life line water tariff to become 6kl and not 12kl.

The change will also have an impact on the Indigent policy.

In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed. The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 85.1 per cent (%).

## **Indigent Policy**

The aim and purpose of this policy is to ensure that Registered Indigents have access to basic municipal services, to ensure that the subsidy scheme for Registered Indigents forms part of the financial management system of the Municipality and to provide procedures and guidelines for the subsidisation of basic municipal services and tariff charges to the Registered Indigents.

All amendments to the policy are bolded in yellow to be replaced by red

## **Tariff Policy**

RLM tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Changes to be effected will be on the revision of the life line water tariff to become 6kl and not 12kl.

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

## **Budget Policy**

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the RLM system of delegations.

The Budget Policy was approved by Council. The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the RLM continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

The adopted policy in 2014/15 financial year will still be implemented in 2017/18 with changes to accommodate Mscoa reforms.

The adopted policy in 2014/15 financial year will still be implemented in 2017/18 with changes to accommodate Mscoa reforms.

The additions to the policy cover the following:

### **5.1 Virement Process**

- The limitation of 5% of the aggregated expenditure per annum is increased to 10%. The virement within a vote shall be capped at 10% (percentage) in 2017/18 financial year to accommodate the phase-in of budgeting at project level.
- Virements shall be allowed between projects at vote level, as mscoa budgeting allows a breakdown at project level.
  - Point 1.6 for repairs and maintenance will be allowed on similar projects e.g. saving identified in planned maintenance shall be redirected to the other planned maintenance project and not to the unplanned maintenance project.
  - Virements between votes shall be included in the adjustment budget as part of the revised budget subsequent to the approval of the main budget in May of each year.
  - Subsequent to the budget adjustment no virements will be allowed as these virements will be outside the approved and revised SDBIP after Council's approval of the budget adjustments.
  - Any other expenditure that was not accommodated in the adjustment budget has to be approved by Council prior to spending.
- The above recommended paragraphs are additions and replacement of the bolded paragraphs in page 14-15 of the old policy.

### **Supply Chain Management Policy**

The Supply Chain Management Policy will be reviewed

### **Cash Management and Investment Policy**

RLM Cash Management and Investment Policy has not being amended by Council. The aim of the policy is to ensure that RLM surplus cash and investments are adequately managed,



especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

### **Funds and Reserves Policy**

This is a new proposed policy to be implemented from 1<sup>st</sup> July 2015 onwards once approved by Council after public participation.

The purpose of this policy is to ensure that municipality maintains cost effective and efficient cash funding, that provisions and reserves are maintained at the sufficient required level to avoid future unfunded liabilities.

The policy is in line with the requirements of Section 8 of the Local Government: Municipal Budget and Reporting Regulation of 2009 (Government Gazette 32141 in order to monitor and sustain the municipality's financial management.

All the above policies are available on the RLM website, as well as the following budget related policies:

- Fixed Assets Management Policy
- Travelling and Subsistence Policy
- Rewards, Gifts and Favour Policy
- Inventory Policy
- Contract Management Policy

### **Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor and Council has progressively improved and includes monthly published financial performance on Rustenburg Local Municipality website.
2. Internship programme  
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns in 2014 with the resignation of one, 2 additional in 2016 and is undergoing training in various sections of the Budget and Treasury Office and Internal Audit. The municipality has already absorbed almost 12 interns over a three year period. RLM is intending to appoint another five interns
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.

### **Municipal manager's quality certificate**

I ....., municipal manager of RLM, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality

Tshenolo Edwin Lefutswe  
Acting Municipal manager of RLM (NW373)

Signature \_\_\_\_\_  
Date \_\_\_\_\_

**RECOMMENDATIONS:****ACTION**

1. That the multi-year annual capital and operating Budget for the 2017/2018 financial year of R5, 123 billion and the two outer years of(2018/2019+2019/20) R5, 432 billion, R5.883 billion and related policies be tabled as per the following tables as set out in Annexure A:-

Table A1 – Budget Summary

Table A2 – Budgeted Financial Performance  
(Revenue and expenditure by standard classification)

Table A3 – Budgeted Financial Performance  
(Revenue and expenditure by municipal vote)

Table A4 – Budgeted Financial Performance  
(Revenue and Expenditure)

Table A5 – Budgeted Capital Expenditure by Vote,  
(Standard classification and funding)

Table A6 – Budgeted Financial Position

Table A 7 – Budgeted Cash Flows

Table A8- Cash backed reserves / accumulated Surplus reconciliation

Table 9 – Asset Management

Table 10 – Basic Delivery measurement

BTO

2. That the budget as proposed include the budget for the Rustenburg Water Services Trust; **BTO**
3. That Council take note that for the 2017/18MTREF financial year the revenue and expenditure budget proposed has a surplus of R156,327million, R222, 507million and R231,773million respectively **BTO**
4. That in terms of section 74 of the Local Government Municipal System Act, all consumptive tariffs, Rates, basic charges as proposed be considered, amended and be subjected to public participation prior to implementation in July 2017, and are attached as Annexure “B” **BTO**
5. That all the sundry tariffs and other tariffs be amended as proposed in Annexure’ B be subjected to public participation prior to implementation on 01 July 2017; **BTO**
6. That the unspent conditional grant at end of 2016/17 not be committed to expenditure until approval has been obtained from National, Provincial in accordance with directives from National Treasury Circulars; **BTO**
7. That the draft budget, proposed tariffs with the budget related policies be subjected to public participation prior to implementation on 01 July 2017 ; **BTO**
8. That the provision has been made of an annual increase of CPI +1 % (6.4%+1%) in the salaries of employees including Section 57 officials’ accordance with MFMA circular 75; **BTO**

9. That the provision has been made for 7% estimated in increase in salaries of Councilors which have to be still announced in terms of the Public Office Bearers Act of the Public Office Bearers Act; BTO

- 10 That the following proposed budget related policies with amendments be considered and be subjected to public communication prior to implementation on 01 July 2017 ALL

#### **10.1 Budget related policies with Amendments**

- Credit Control and Debt Collection Policy
- Budget policy
- Indigent Policy
- Property rates
- Tariffs policy
- Supply Chain Management Policy

#### **10.2 Budget related policies without changes**

- Cash Management and Investment Policy
- Fixed Assets Management Policy
- Travelling and Subsistence
- Rewards, Gifts and Favour Policy
- Contract Management Policy
- Borrowing Policy
- Funds and Reserves Policy ALL

#### **10.3 NEW POLICY**

- Accelerated Economic Empowerment and Transformation

11. That MFMA circular no 85 and 86 from National Treasury be noted as Annexure “E” ALL
12. That the approved 2017/18 Medium Term Revenue and Expenditure (MTREF) Forecasts both printed and electronic formats be submitted to National Treasury and Provincial Treasury; BTO
13. That the approved (MTREF) Budget together with the tariffs, budget related policies be placed on the municipal website and be published in terms of Section 21A and B of the Municipal Systems Act as well as the MFMA and applicable regulations; BTO